



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

May 15, 2009

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To: Supervisor Don Knabe, Chairman  
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Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name.

## SACRAMENTO UPDATE – GOVERNOR'S FY 2009-10 MAY REVISION

Yesterday, Governor Schwarzenegger released two separate plans as part of his FY 2009-10 May Budget Revision. Neither plan recommends tax increases and both proposals rely primarily on program reductions and borrowing to balance the State Budget through June 30, 2010. The main proposal is intended to address a projected \$15.4 billion deficit due to the continued deterioration of the State's fiscal condition which has resulted in low-revenue collections and increased caseload-driven costs. The second proposal is a contingency plan aimed at addressing a potential \$21.3 billion deficit, if the ballot measures included in the May 19, 2009 Special Election are not passed by the voters. As previously reported, the FY 2009-10 State Budget Act, which was enacted in February, relies on the passage of Propositions 1C, 1D, and 1E, to provide the State \$5.8 billion in revenue solutions. Additional details are expected in another report on May 28, 2009.

In addition, at the Governor's press conference, Mike Genest, Director of the Department of Finance (DOF), indicated that both proposals provide a plan on how to address the potential deficits. However, he indicated that his staff is still working on the State's cash flow situation and they are scheduled to meet with the State Controller and the Treasurer over the next few days to determine the State's cash flow needs. Based on the outcome of those meetings, DOF will soon release additional information on the FY 2009-10 May Revision which could potentially include new proposals to defer or delay payments to counties.

*"To Enrich Lives Through Effective And Caring Service"*

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### **May Revision Budget Solutions**

To address the \$15.4 billion budget deficit, the May Revision proposes to:

- 1) reduce programs by \$5.6 billion which would primarily affect social services, K-14 education and higher education;
- 2) borrow \$6 billion through the issuance of Registered Reimbursement Warrants (RAW);
- 3) raise \$1.1 billion by selling a portion of the State's Compensation Insurance Fund;
- 4) seek waivers to obtain relief from Federal Medi-Cal eligibility requirements pursuant to the American Recovery and Reinvestment Act of 2009 to achieve an estimated \$750 million in program savings;
- 5) raise \$610 million through a proposal to accelerate estimated tax payments owed by individuals and corporations;
- 6) recognize \$336 million in gasoline sales tax spillover revenues to repay transit bond debt;
- 7) borrow \$105.4 million from various special funds; and
- 8) save \$50 million from the reorganization or consolidation of various State functions.

If enacted, the proposed solutions would eliminate the \$15.4 billion budget gap and allow for an \$889 million reserve by the end of FY 2009-10.

### **May Revision Contingency Plan**

The May Revision package also includes a contingency plan in the event the May 19, 2009 Special Election ballot initiatives fail to pass. The FY 2009-10 State Budget Act assumes passage of these measures to provide the State an estimated \$5.8 billion next fiscal year. If the ballot measures are not successful, the Governor proposes to:

- 1) reduce various programs by an additional \$3.44 billion primarily in the areas of social services, health and education;
- 2) borrow an estimated \$2 billion in property tax revenues from counties, cities, and special districts pursuant to Proposition 1A of 2004;
- 3) allow the State to reduce RAW borrowing by \$500 million;
- 4) raise \$1.7 billion by increasing State withholding amounts by 10 percent;
- 5) generate \$76 million by assessing a 2.8 percent surcharge on residential and commercial property insurance to enhance emergency response capabilities; and

- 6) redirect \$60 million in Proposition 99 Cigarette and Tobacco Products Surtax funds from county health, clinic, breast cancer early detection, asthma, and other programs to offset costs in the Medi-Cal Program.

### **Estimated Impact on County Programs**

As reported in our February 27, 2009 Sacramento Update, the actions taken to approve the State Budget through June 30, 2009, resulted in losses to the County of \$150.1 million in FY 2008-09 and \$103 million in FY 2009-10 for a total of \$253.1 million. Based on our preliminary analysis of the May Revision proposals, **we estimate that the County would lose an additional \$71 million in FY 2009-10 totaling \$324.1 million, and if the May 19, 2009 ballot measures fail to pass, the County impact will decrease by \$6.7 million for an overall loss of \$317.4 million.**

Major programmatic budget solutions affecting the County include:

- \$27.2 million cost shift to General Relief from CalWORKs Program reform;
- \$40.7 million cost shift to the County from reduced State participation in In-Home Supportive Services (IHSS) wages, if the County maintains the current \$9.00 per hour rate;
- \$10.3 million cost shift to General Relief from the elimination of Cash Assistance Program for Immigrants;
- \$1.1 million loss from a reduction in Medi-Cal eligibility for legal immigrants; and
- \$8.3 million savings to the County from the reduction of IHSS recipient services.

Major contingency proposals affecting the County include:

- \$27 million loss from the elimination of the Proposition 36 Substance Abuse and Crime Prevention Program Act of 2000;
- \$19.6 million reduction in Child Welfare Administration;
- \$4.2 million reduction in the HIV/AIDS Education and Prevention Program;
- \$3.9 million reduction in the Drug Medi-Cal Program; and
- \$61.4 million savings to the County from additional reductions of IHSS recipient services.

### **Proposal to Borrow Property Tax Revenues from Local Governments**

The May Revision contains a contingency proposal to borrow \$1.98 billion from local governments through the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A) in the event that the May 19, 2009 Special Election ballot measures fail to pass.

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Pursuant to Proposition 1A, starting this fiscal year, the State may borrow up to 8 percent of property tax revenues received by counties, cities, and special districts upon the Governor's declaration of a severe fiscal hardship and approval by a two-thirds vote of the Legislature. The State is required to repay these funds within three years with interest.

Since the Proposition 1A provisions in the State Constitution do not specify how the loan would be allocated among local government agencies, it is not known at this time how the Administration plans to allocate the loan. However, based on property tax collections for FY 2008-09 and assuming that each jurisdiction will have to contribute the maximum of 8 percent, **we estimate that at least \$301.9 million in property tax revenues for the County General Fund and Special Districts could be at risk.**

In addition, the Administration will propose legislation to create a joint powers authority to allow local agencies to borrow as a group against the State loan repayment. However, local governments would incur significant financing costs for securitizing the loans.

The estimated fiscal impact on the County by program is contained in Attachment I, and Attachments II and III describe the programmatic impact.

#### **Pursuit of Position On Budget Items**

Consistent with our advocacy efforts on budget recommendations included in the Governor's FY 2009-10 Proposed Budget, and based on general policy to seek restoration of State Budget reductions and other policies included in the Board-approved State Legislative Agenda for FY 2008-09, **the Sacramento advocates will focus their efforts on mitigating these adverse impacts on County programs.**

We will continue to keep you advised.

WTF:GK  
MAL:MR:IGEA:er

#### **Attachments**

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association

**ESTIMATED IMPACT TO LOS ANGELES COUNTY  
FROM THE GOVERNOR'S FY 2009-10 MAY REVISION**

<u>Programs:</u>	<b>FY 2008-09 and FY 2009-10 State Budget Cuts <sup>(1)</sup></b>	<b>May Revision Budget Solutions</b>	<b>Estimated Impact FY 2009-10</b>	<b>May Revision Contingency Plan</b>	<b>Total Potential County Losses thru June 30, 2010</b>
<u>Health</u>					
Medi-Cal Provider and Managed Care Rates	(\$8,738,000)	0	(\$8,738,000)	0	(\$8,738,000)
Federal Safety Net Care Pool Payments	(14,400,000)	0	(14,400,000)	0	(14,400,000)
South Los Angeles Preservation Fund	(10,000,000)	0	(10,000,000)	0	(10,000,000)
California Healthcare for Indigents Program	(5,300,000)	0	(5,300,000)	0	(5,300,000)
Medi-Cal Eligibility for Legal Immigrants	0	(1,100,000)	(1,100,000)	0	(1,100,000)
Medi-Cal Optional Benefits Reductions	(5,600,000)	0	(5,600,000)	0	(5,600,000)
<u>Public Health</u>					
HIV/AIDS Treatment and Prevention	(1,200,000)	0	(1,200,000)	(4,200,000)	(5,400,000)
Family and Health Programs	(202,000)	0	(202,000)	0	(202,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(6,400,000)	0	(6,400,000)	(3,900,000)	(10,300,000)
Proposition 36 Program/Offender Treatment Program	(3,049,000)	0	(3,049,000)	(27,000,000)	(30,049,000)
Immunization Program	(81,000)	0	(81,000)	0	(81,000)
Drug Court Programs	(626,000)	0	(626,000)	0	(626,000)
Perinatal Substance Abuse Treatment Programs	(610,000)	0	(610,000)	0	(610,000)
Other Non-Medi-Cal Drug Programs	(180,000)	0	(180,000)	0	(180,000)
<u>Mental Health</u>					
Mental Health Managed Care Program	(3,800,000)	0	(3,800,000)	0	(3,800,000)
Institutes for Mental Disease	(6,300,000)	0	(6,300,000)	0	(6,300,000)
Mental Health Services Act (Proposition 63) Funds	(64,400,000)	0	(64,400,000)	0	(64,400,000)
<u>Social Services <sup>(2)</sup></u>					
Adult Protective Services Administration	(2,600,000)	0	(2,600,000)	0	(2,600,000)
Medi-Cal Program Administration - Cost-of Doing-Business	(48,800,000)	0	(48,800,000)	0	(48,800,000)
In-Home Supportive Services (IHSS) Administration	(5,100,000)	0	(5,100,000)	0	(5,100,000)
Reduced State Participation in IHSS Wages	0	(40,700,000) <sup>(3)</sup>	(40,700,000)	0	(40,700,000)
IHSS Program - Reduction of Recipient Services		8,300,000 <sup>(4)</sup>	8,300,000	61,400,000	69,700,000
Food Stamps Administration	(6,900,000)	0	(6,900,000)	0	(6,900,000)
CalWORKs Program Reforms	0	(27,200,000)	(27,200,000)	0	(27,200,000)
CalWORKs Single Allocation Funding	(17,600,000)	0	(17,600,000)	0	(17,600,000)
Cash Assistance Program for Immigrants (CAPI) Program	0	(10,300,000) <sup>(5)</sup>	(10,300,000)	0	(10,300,000)
Child Welfare Services Administration	0	0	0	(19,600,000)	(19,600,000)
<u>Justice and Public Safety</u>					
Juvenile Probation and Camp Funding	(8,476,000)	0	(8,476,000)	0	(8,476,000)
Juvenile Justice Crime Prevention Act (JJCPA) Program	(3,492,000)	0	(3,492,000)	0	(3,492,000)
Citizens Option for Public Safety (COPS) Program	(1,051,000)	0	(1,051,000)	0	(1,051,000)
<u>General Government <sup>(5)</sup></u>					
Delay of Deferred Mandate Payments	(28,000,000)	0	(28,000,000)	0	(28,000,000)
Public Library Fund	(182,000)	0	(182,000)	0	(182,000)
Subventions for Open Space (Williamson Act)	(4,000)	(36,000)	(40,000)	0	(40,000)
<b>Total</b>	<b>(\$253,091,000)</b>	<b>(\$71,036,000)</b>	<b>(\$324,127,000)</b>	<b>\$6,700,000</b>	<b>(\$317,427,000)</b>

## Notes:

(1) Column reflects the budget cuts the County experienced when the FY 2008-09 and FY 2009-10 State Budget Acts were enacted in February 2009.

(2) May Revision proposals affecting social services programs assume an effective date of October 1, 2009.

(3) Estimates assume the County would pay the State's share of cost of wages above \$8.00 per hour. If not, the County will realize an estimated \$26.1 million in savings in FY 2009-10 and \$34.8 million annually thereafter.

(4) Proposal would result in net County cost savings because of reduced recipient services.

(5) Estimate assumes 100% of CAPI recipients apply for and are determined eligible for the County's General Relief Program.

This table represents the estimated loss/gain of State funds based upon the FY 2008-09 and FY 2009-10 Adopted Budgets, and the May Revision Budget proposals. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

## MAY REVISION PROPOSALS

### General Government

**Special Election.** The May Revision does not include an allocation to reimburse counties for the May 19, 2009 Special Election. However, the Governor indicated when signing SBX3 19 (Ducheny), which called for the election, that he was approving the bill with the understanding that the Legislature will reimburse counties for the election costs as soon as possible.

**Subventions for Open Space Act (Williamson Act).** The May Revision proposes the elimination of the Williamson Act property tax subventions for a State saving of \$34.7 million and a County loss of \$36,000.

### Public Health

**Medi-Cal – Rate Reduction for Family Planning Services.** The May Revision proposes to reduce the rates for family planning services by \$36.8 million. The Department of Health Services (DHS) indicates that it is unable to determine the impact to the County without additional information, but estimates that the impact would be minimal.

**Eliminate Certified Application Assistance.** The May Revision proposes to eliminate \$2.7 million for certified application assistants who are paid to help individuals enroll and remain in subsidized children's health insurance programs.

### Health

**Medi-Cal – Pharmacy Reforms.** The May Revision proposes \$75 million to implement new Federal and State drug pricing policies aimed at lowering costs and retaining quality care. DHS indicates that this would have no County impact.

**Medi-Cal – Anti-Fraud Initiative.** The May Revision proposes \$47.9 million to more aggressively target fraud in the following areas: adult day health centers, pharmacies, physicians, durable medical equipment, and transportation. DHS indicates that this would have no County impact.

**Medi-Cal – Reduce Payments to Private Hospitals.** The May Revision proposes to reduce the amount paid to private disproportionate share hospitals by \$20 million. This proposal is commensurate with the reduction public hospitals received in February 2009 as part of the FY 2009-10 Budget Act. **Although DHS indicates that this would result in no direct County impact, it is important to note that any reductions to the safety net will have a negative impact on DHS. A reduction to private hospitals will result in greater dependence on County hospitals and clinics.**

**Federal Medi-Cal Flexibility and Stabilization Waiver.** The May Revision proposes to seek a waiver from the Federal government in order to implement additional Medi-Cal eligibility reductions for a savings of \$750 million. The Administration supports program flexibility to slow the rate of growth and manage the Medi-Cal Program within available resources. The Federal Stimulus Plan provided California with significant fiscal relief; however, reductions in eligibility are not permitted. Without a waiver, California's Federal funding would be in jeopardy. DHS and DPH indicate that if the Governor's petition for a waiver is approved, the County may be negatively impacted.

**Medi-Cal Eligibility for Legal Immigrants.** The May Revision proposes to limit Medi-Cal benefits for newly qualified immigrants who have been in the United States for less than five years and immigrants who permanently reside under the color of law for estimated State General Fund savings of \$125 million in FY 2009-10, assuming implementation on October 1, 2009. The proposal exempts pregnant women and persons under 20 years of age. Based on limited data, DHS estimated this proposal would result in a potential County loss of \$1.1 million in FY 2009-10.

### **Social Services**

**CalWORKs Program.** The May Revision reintroduces proposed reductions to the CalWORKs Program which were rejected by the Legislature in the FY 2008-09 Special Session Budget and FY 2009-10 State Budget Act for State General Fund savings of \$156.7 million in FY 2009-10, assuming implementation on October 1, 2009. The proposed reductions would affect:

- 1) **The Safety Net Program.** Maintain the child-only CalWORKs grant beyond the 60-month time limit only when the able-bodied adult meets the Federal work participation requirements. Safety net benefits would be eliminated if the adult does not meet the work participation requirements. Based on prior estimates of a similar proposal, this reduction could potentially impact approximately 13,551 families in Los Angeles County and 32,311 children in those families.
- 2) **Child-Only Benefits.** Limit child-only benefits to 60 months when the parent or caretaker is an undocumented non-citizen, a convicted drug felon or a fleeing felon. Based on prior estimates of a similar proposal, this reduction could impact approximately 16,167 families in Los Angeles County and 39,377 children in those families.

These proposals would result in the estimated loss of \$73.5 million in cash grants to CalWORKs families in FY 2009-10. **If 50 percent of the children terminated from CalWORKs cash assistance apply for, and are determined to be eligible for General Relief, there would be an estimated increased net County cost of \$27.2 million in FY 2009-10 and \$36.8 million annually thereafter.** Additionally, the loss of CalWORKs cash benefits could place families at greater risk of homelessness.

- 3) **CalWORKs Self-Sufficiency Review.** Implement a mandatory face-to-face self-sufficiency review of CalWORKs participants who are not meeting the work participation requirement to assess the type of services needed to assist the participant to remove any barriers to work participation. The review would be required for continued eligibility and must be conducted at six-month intervals by a county eligibility worker.
- 4) **CalWORKs Grant Reduction.** The FY 2008-09 Special Session Budget and FY 2009-10 State Budget Act reduced CalWORKs cash grants by 4 percent effective July 1, 2009. The May Revision proposes to reduce recipient grants by an additional 6 percent effective October 1, 2009. This proposal would reduce the CalWORKs grant for a family of three from \$694 per month to \$652 per month.

**In-Home Supportive Services (IHSS) – Reduction of Recipient Services.** The May Revision proposes to eliminate IHSS domestic and related services for recipients who are the most functionally impaired for estimated State General Fund savings of \$40.8 million in FY 2009-10, assuming implementation on October 1, 2009. This proposal would result in an estimated net County cost savings of \$8.3 million in FY 2009-10.

**IHSS Provider Wages.** The FY 2008-09 Special Session Budget Adjustment and the approved FY 2009-10 State Budget limited State participation in IHSS provider wages to \$9.50 per hour plus up to \$0.60 per hour for health benefits effective July 1, 2009. The May Revision proposes to reduce State participation in IHSS provider wages to the State minimum wage of \$8.00 per hour, and retain State participation in the health benefits at \$0.60 per hour. This proposal would result in estimated State General Fund savings of \$114.1 million in FY 2009-10, assuming implementation on October 1, 2009.

The current County wage rate is \$9.00 per hour. The current agreement with the Los Angeles County Personal Assistance Services Council specifies that if the State's share of IHSS wages becomes unavailable, IHSS wages shall revert to the State minimum wage rate without further action of the Board. If IHSS provider wages were reduced to the State minimum wage rate, the County would realize an estimated savings of \$26.1 million in FY 2008-09, if implemented October 1, 2009, and an estimated annual savings of \$34.8 million. However, **if the County opted to maintain the current wage of \$9.00 per hour, without State participation above the minimum wage, the additional cost to the County would be \$40.7 million in FY 2009-10 and \$54.2 million annually thereafter.**

**Cash Assistance Program for Immigrants (CAPI) and California Food Assistance Program (CFAP).** The May Revision proposes to eliminate the CAPI and CFAP programs effective October 1, 2009, for an estimated State General Fund savings of \$120.2 million.



Elimination of CAPI would result in the loss of cash benefits for approximately 5,200 aged and disabled legal immigrants in Los Angeles County. **If 100 percent of these individuals apply for, and are determined eligible for General Relief, this proposal would result in an estimated net County cost of \$10.3 million in FY 2009-10 and \$13.7 million thereafter.** Elimination of CAPI could place aged and disabled legal immigrants at greater risk for homelessness. Elimination of CFAP would not result in a fiscal impact to the County; however, individuals losing this benefit would have reduced resources to purchase food.

**IHSS Anti-Fraud Initiative.** The May Revision proposes \$15.8 million to increase the prevention and detection of fraud within the IHSS Program. The May Revision does not include details of this initiative.

### **Transportation**

**Proposition 42.** The May Revision does not include a proposal to borrow Proposition 42 revenues.

**Gas Tax.** The May Revision does not include further payment deferrals of the monthly payments of gas tax revenues to cities and counties. The Department of Public Works still expects to receive the gas tax revenues for the months of February, March, and April in May 2009.

**Transfer of Spillover Revenues.** The May Revision proposes to divert \$336 million in "spillover" revenue that is projected to accrue in FY 2009-10 to fund transit bond debt service. Gasoline spillover revenues occur when revenue derived from sales taxes on gasoline is proportionately higher in relationship to revenue derived from all taxable sales, and generally reflect higher gasoline prices.

### **Environment and Natural Resources**

**Flood Protection.** The May Revision proposes to shift \$7 million for floodplain evaluations and mapping and support for Delta levees to Proposition 1E, the Disaster Preparedness and Flood Protection Bond Act of 2006. State General Fund support for these programs will need to be restored when bond funds become unavailable.

**Capitalizing on California Assets.** The May Revision proposes to pursue legislation to capitalize on California's real estate assets including the sale of the Los Angeles Memorial Coliseum. The proposed legislation and associated administrative actions would increase the amount of money the State raises from State property through long-term leasing of unused properties, the sale of high-value property, refinancing of State-owned buildings and the accelerated sale of surplus property.

**Elimination of California Department of Boating and Waterways.** The May Revision proposes to eliminate the Department of Boating and Waterways and transfer its functions to the California Department of Parks and Recreation. The Board took action

on January 27, 2009 to oppose the Governor's proposal to eliminate the California Department of Boating and Waterways.

**Santa Barbara Coast Lease Approval.** The May Revision proposes legislation authorizing the State to enter into a lease for the extraction of oil or gas from State-owned tide and submerged lands in the coastal area off the Santa Barbara coast. This proposal is estimated to raise \$100 million from the approval of the lease and would generate \$1.8 billion in advanced royalties over the next 14 years.

## MAY REVISION CONTINGENCY PLAN

### General Government

**Proposal to Borrow Property Tax Revenues from Local Governments.** The May Revision contains a contingency proposal to borrow \$1.98 billion from local governments through the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A) in the event that the May 19, 2009 Special Election ballot measures fail to pass. Pursuant to Proposition 1A, starting this fiscal year, the State may borrow up to 8 percent of property tax revenues received by counties, cities, and special districts upon the Governor's declaration of a severe fiscal hardship and approval by a two-thirds vote of the Legislature. The State is required to repay these funds within three years with interest.

Since the Proposition 1A provisions in the State Constitution do not specify how the loan would be allocated among local government agencies, it is not known how the Administration plans to allocate the loan. However, based on property tax collections for FY 2008-09 and assuming that each jurisdiction will have to contribute the maximum of 8 percent, **we estimate that at least \$301.9 million in property tax revenues for the County General Fund and Special Districts could be at risk.**

In addition, the Administration will propose legislation to create a joint powers authority to allow local agencies to borrow as a group against the State loan repayment.

### Public Health

**HIV Education and Prevention.** The May Revision Contingency Plan proposes a reduction of \$24.6 million in HIV Education and Prevention funds provided to local health jurisdictions to prevent HIV transmission, change attitudes and behavior related to HIV, and promote risk-reduction skills. The current level of funding is \$31 million, of which the Department of Public Health (DPH) receives \$5.3 million. DPH indicates that this proposal would result in a loss to the County of as much as \$4.2 million.

**Maternal, Child and Adolescent Health Grants (MCAH).** The May Revision Contingency Plan proposes a reduction of \$10 million for local health jurisdictions for services and programs to improve the health of mothers, infants, children, adolescents, and families. DPH indicates that while it is not possible to determine the fiscal impact of this proposal without additional information, any reductions to the MCAH grant would be likely to result in reductions in staffing for the program in FY 2009-10.

**Elimination of State Funding for the Poison Control Program.** The May Revision Contingency Plan proposes to eliminate funding for the State's Poison Control Program for a savings of \$5.9 million. DPH indicates that while it is unlikely that this reduction would have a direct fiscal impact on the County, it could have a significant negative impact on the health of the public in general. The Poison Control Program is an

important resource for clinicians who have questions when patients have ingested or been exposed to a toxic agent. Poison Control Program also responds to inquiries from the public on possible toxic exposures and is an important source of surveillance data when there is a toxin related outbreak. DPH indicates that elimination of the Poison Control Program would divert these calls to the County and result in additional visits to hospital emergency rooms.

**Shift Cigarette and Tobacco Products Surtax Funds (Proposition 99) to Medi-Cal.** The May Revision Contingency Plan proposes to redirect \$60 million in Proposition 99 funds from county health programs, clinics, and programs for Breast Cancer Early Detection, Asthma, Major Risk Medical Insurance, Access for Infants and Mothers, the rural health demonstration project, and a consumer assessment project to offset costs in the Medi-Cal program. The Department of Health Services (DHS) indicates that this proposal would have no impact because the County is no longer receiving funding from this source. The County previously received \$5.3 million for hospitals from Proposition 99, but that revenue was eliminated in the FY 2008-09 State Budget.

## **Health**

**Healthy Families Program - Roll Back Eligibility to 200 Percent Federal Poverty Level.** The May Revision Contingency Plan proposes to roll back eligibility for the Healthy Families Program to 200 percent of the Federal Poverty Level for a savings of \$54.5 million. The Administration estimates that 225,000 children would no longer be eligible to receive health coverage through this program. DHS indicates that the children no longer eligible for the Healthy Families Program are likely to be eligible for Medically Indigent Medi-Cal, which would result in an increased County share of cost. DPH notes that this also may result in an increased County share of cost for the Children's Medical Services Program.

**Medi-Cal - Reduce Adult Day Health Care Program.** The May Revision Contingency Plan proposes to reduce the Adult Day Health Care optional benefit by limiting benefits to three days per week for a savings of \$25.5 million. DHS indicates that this would have no County impact.

**Suspend Children's Dental Disease Prevention.** The May Revision Contingency Plan proposes to suspend the funding for this comprehensive school-based prevention program based on need, for a savings of \$2.9 million. This program operates in 31 counties and serves approximately 300,000 California preschool and elementary school children annually. DHS and DPH indicate that this would have no County impact.

**Drug Medi-Cal Rate Reduction.** The May Revision Contingency Plan proposes to reduce by \$8.8 million, or 10 percent, the funds for substance abuse treatment services for Medi-Cal eligible individuals. DPH estimates that this would result in a County loss of \$3.9 million.

## **Social Services**

**Child Welfare Services (CWS) Administration.** The May Revision Contingency Plan proposes a 10 percent reduction in county funding for CWS Administration for a State General Fund savings of \$70 million, assuming implementation on October 1, 2009. CWS provides services to protect and promote the welfare of children who are abused, neglected, homeless, handicapped, dependent or delinquent with the goal of providing these children safe and stable homes.

The projected impact of the 10 percent reduction would result in an estimated loss of \$19.6 million in State revenue to the County with no impact on Federal revenue. However, the Department of Children and Family Services and this office note that the proposed reduction is in violation of the Title-IV Waiver Memorandum of Understanding which protects the County from incurring losses.

The Department of Children and Family Services indicates that all of the children and families that are being served could be impacted by reductions in social work staff and available services. The responsibility for serving more children and families by each social worker would result in less time spent with each individual child and their family. This result could compromise child safety. This proposal also would negatively impact the County's ability to remain in the Title IV-E Waiver Demonstration Project.

**In-Home Supportive Services – Reduction of Recipient Services.** The May Revision Contingency proposes additional reductions to domestic and related services for individuals who require minimum assistance and to eliminate protective supervision for individuals who only need this service for an estimated State General Fund savings of \$301.5 million, assuming implementation on October 1, 2009. This proposal would result in an estimated net County cost savings of \$61.4 million in FY 2009-10.

## **Justice and Public Safety**

**Elimination of Funding for Proposition 36 and the Substance Abuse Offender Treatment Program.** The May Revision Contingency Plan proposes to eliminate the \$90 million in funding for Proposition 36 and \$18 million for the Substance Abuse Offender Treatment Program. DPH estimates that this will result in a County loss of \$27 million. The Probation Department's share of this loss would be \$2.8 million. Approximately 8,000 probationers are supervised on the Proposition 36 Program annually.

## **Natural Resources**

**Fee Increases at State Parks.** The May Revision Contingency Plan proposes to increase existing fees in State parks and establish new fees in Old Town San Diego and Sonoma Coast State Beaches. The funds would be used to offset State General Fund expenditures and are estimated to achieve \$5.6 million in ongoing State General Fund savings.